Congressional Budget Office

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Federal Spending for Means-Tested Programs, 2007 to 2027

In January 2017, the Congressional Budget Office projected that if current laws generally remained unchanged, total mandatory spending (excluding offsetting receipts) would grow at an average annual rate of 5.5 percent over the coming decade, which is close to the 5.3 percent average annual rate of growth recorded over the past 10 years.[1] Mandatory spending on means-tested programs (which provide cash payments or other forms of assistance to people with relatively low income or few assets) is projected to grow more slowly than spending for non–means-tested programs. CBO projects that under current law, outlays for mandatory means-tested programs would grow over the next decade at an average annual rate of 4.3 percent, whereas spending for mandatory non–means-tested programs would grow at an average annual rate of 6.0 percent (see Table 1).[2] Among the mandatory programs, the largest means-tested ones are Medicaid, the earned income and child tax credits (which are refundable), the Supplemental Nutrition Assistance Program (SNAP), and Supplemental Security Income. The largest non–means-tested programs are Social Security, most of Medicare, and civilian and military retirement programs.

In CBO's baseline, average annual growth in outlays for means-tested programs for the 2018–2027 period is well below the 6.8 percent the agency estimates for the same programs over the 2008–2017 period (see Table 2).[3] In contrast, the rate of growth projected for non–means-tested programs (which CBO estimates will have grown at an average rate of 4.8 percent between 2008 and 2017) is roughly one percentage point higher over the coming decade, largely because of the aging of the population.

Several mandatory programs have been or are scheduled to be significantly affected by changes in law. The 2007–2009 recession and the ensuing recovery also have exerted

1. See Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027*, www.cbo.gov/publication/52370. Mandatory spending is governed by statutory criteria and is not normally controlled by the annual appropriation process.

2. The tables in this report exclude discretionary means-tested programs (such as the Section 8 housing assistance programs and the Low Income Home Energy Assistance Program), which are controlled by annual appropriation acts. However, each table shows discretionary spending for the Federal Pell Grant Program as a memorandum item because that program has discretionary and mandatory components and the amount of the mandatory component depends in part on the amount of discretionary funding. Spending for the student loan program is generally not considered to be means-tested, although that program has means-tested components.

3. Average annual growth rates for the projection period are affected (as they have been in past years) by shifts in the timing of certain payments, although those effects, on net, are small. Because October 1, 2016, fell on a weekend, an estimated $37 billion in mandatory payments that were due on that day were instead made at the end of September 2016. As a result, mandatory outlays in 2017 were reduced (and outlays in 2016 were increased) by the amount of those payments. Similarly, mandatory outlays in 2017 will be boosted by the shift of an estimated $41 billion in payments from fiscal year 2018 to 2017 because October 1, 2017, also falls on a weekend. All told, outlays in 2017 will be $4 billion higher, on net, as a result of those shifts. October 1, 2006, also fell on a weekend, thereby reducing mandatory outlays in 2007 by $3 billion.

Notes: Unless otherwise specified, all years referred to in this report are federal fiscal years, which run from October 1 to September 30 and are designated by the calendar year in which they end. Numbers in the text and tables may not add up to totals because of rounding.

an influence. As a result, important aspects of the programs may differ significantly from their past, and those differences may be the source of some of the variation between the growth rates of the past 10 years and those projected for the coming decade. For example, outlays for several programs—Medicaid, subsidies for health insurance purchased through the marketplaces established under the Affordable Care Act (ACA), certain Medicare benefits, the Children's Health Insurance Program (CHIP), the refundable portions of the earned income and child tax credits, and SNAP—have been or will be significantly affected by program changes that unfold over time:

- **Medicaid** spending rose by 35 percent from 2008 to 2010 both because of enrollment growth and as a result of a temporary increase in the federal matching rate. (The federal government and the states share the cost of the program.) After dropping off a bit subsequently, spending rose because of the expansion of Medicaid coverage under the ACA. As that change was phased in, spending for the program increased by 32 percent from 2013 to 2015. Spending for the program rose more slowly in 2016—increasing by about 5 percent. In CBO's baseline, the rate of growth in Medicaid spending remains at roughly 5 percent annually throughout the 2018–2027 period.

- Payments of **subsidies for health insurance purchased through the marketplaces established under the ACA** began in January 2014 and totaled $31 billion in fiscal year 2016. They are projected to grow rapidly in 2017 and 2018, largely as a result of growth in enrollment, and then to moderate in the three years that follow. Under current law, CBO and the staff of the Joint Committee on Taxation project, annual growth in such spending would average about 3 percent a year between 2022 and 2027.

- Spending for the **low-income-subsidy component of Medicare's prescription drug program (Part D)** is projected to grow at an annual average rate of nearly 8 percent between 2017 and 2027 (about the same rate as total outlays in the Part D program). Increases in the number of beneficiaries account for about one-third of that growth; the introduction of new, relatively expensive prescription drugs, along with higher prices for existing prescription drugs, accounts for the rest.

- Spending authority for **CHIP** is set to expire at the end of fiscal year 2017. Consistent with statutory guidelines, CBO assumes in its baseline projections that annual funding for the program after 2017 will continue at $5.7 billion.[4] As a result, spending for CHIP is projected to drop to $11 billion in 2018 and to about $6 billion in subsequent years. Those outlays will have increased from $6 billion to $15 billion between 2007 and 2017, CBO estimates.

- Outlays for the **earned income and child tax credits** rose by almost 40 percent from 2007 to 2008, largely because of economic stimulus legislation that provided tax rebates to individual taxpayers. Some of those rebates went to filers in the form of the refundable child tax credit.[5] Outlays have remained above the 2008 level in most subsequent years because the American Recovery and Reinvestment Act of 2009 (ARRA) temporarily expanded the earned income and child tax credits and subsequent legislation made those expansions permanent. CBO projects that outlays will grow slowly—by an average of nearly 2 percent per year—between 2017 and 2027.

- **SNAP** spending increased markedly during and shortly after the recession—roughly doubling between 2008 and 2011—as more people became eligible for those benefits. In addition, ARRA temporarily raised the maximum benefit under that program. The combination of higher enrollment and an increased benefit caused outlays to peak at $83 billion in 2013. Spending has fallen since then because subsequent legislation eliminated the increase in the maximum benefit (as of October 31, 2013) and because the program's caseload (which peaked in 2014) has declined. CBO expects that enrollment will continue to fall in each year of the

4. Under current law, funding for the program in 2017 consists of semiannual allotments of $2.85 billion—amounts that are much smaller than they were in the past. (The first allotment in 2017 will be supplemented by $14.7 billion in onetime funding for the program.) In keeping with the rules prescribed by the Balanced Budget and Emergency Deficit Control Act of 1985, CBO extrapolates the $2.85 billion provided for the second half of 2017 to arrive at projected annual funding of $5.7 billion.

5. Refundable tax credits reduce a filer's income tax liability overall; if the credit exceeds the rest of the filer's income tax liability, the government pays all or some portion of that excess to the taxpayer, and that payment is recorded as an outlay in the budget. Refundable tax credits also affect the budget, to a lesser extent, by reducing tax revenues; those revenue effects are not shown in the tables.

projection period. As a result, spending for SNAP is projected to decline slightly over the next several years after growing by an average of 7 percent per year over the 2008–2017 period.

Finally, because of the unusual budgetary treatment of the Pell grant program—which has mandatory and discretionary components—the growth rates for the mandatory portions of that program give incomplete information. The bulk of the funding is provided annually in appropriation acts and thus is discretionary. In recent years, spending for the program also has included two mandatory components that have allowed the discretionary budget authority provided by the regular appropriation acts to remain well below the full cost of the program.

In keeping with procedures that govern CBO's baseline, the projection for the discretionary portion of the Pell grant program is based on the annualized budget authority appropriated for fiscal year 2017 in the current continuing resolution, adjusted for inflation. (That projection of discretionary spending is shown as a memorandum item in each table.) Thus, the baseline projections for discretionary and mandatory spending for Pell grants do not represent an estimate of the expected future costs of the program; such projections also would need to account for other factors, including award amounts, eligibility, and enrollment.

This Congressional Budget Office report was requested by the Chairman of the House Committee on the Budget. In keeping with CBO's mandate to provide objective, impartial analysis, the report makes no recommendations. Barry Blom of CBO's Budget Analysis Division prepared the report with guidance from Theresa Gullo and Jeffrey Holland and with contributions from other analysts.

Robert Sunshine reviewed the report, Kate Kelly edited it, and Jorge Salazar prepared it for publication. An electronic version is available on CBO's website, www.cbo.gov/publication/52405.

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Table 1.

Mandatory Outlays in CBO's January 2017 Baseline

Billions of Dollars

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Average Annual Growth (Percent) 2018–2027
Means-Tested Programs												
Health care programs												
Medicaid	389	408	428	450	474	499	525	554	584	616	650	5.3
Health insurance subsidies[a,b]	42	55	64	73	78	82	85	89	92	94	97	8.8
Medicare Part D low-income subsidies	29	29	33	35	38	44	45	45	53	58	62	7.9
Children's Health Insurance Program	15	11	6	6	6	6	6	6	6	6	6	-8.9
Subtotal	474	503	530	564	596	631	661	694	735	774	815	5.6
Income security programs												
Earned income and child tax credits[b,c]	80	79	81	83	84	86	88	89	91	93	94	1.7
SNAP	71	69	67	67	67	66	66	66	67	68	69	-0.2
Supplemental Security Income	55	52	58	60	62	68	66	62	70	72	74	3.1
Family support and foster care[d]	31	32	33	33	33	33	34	34	34	35	35	1.1
Child nutrition[e]	23	24	25	26	27	28	30	31	32	34	35	4.4
Subtotal	260	255	263	268	273	283	283	283	295	301	308	1.7
Veterans' pensions	6	5	6	6	6	7	6	6	7	8	8	3.5
Pell grants[f]	6	7	7	7	7	7	8	8	8	8	8	3.0
Subtotal, Means-Tested Programs	**745**	**771**	**807**	**845**	**882**	**928**	**958**	**991**	**1,045**	**1,090**	**1,139**	**4.3**
Non–Means-Tested Programs[g,h]	1,989	2,064	2,221	2,356	2,503	2,703	2,811	2,921	3,137	3,347	3,546	6.0
Total Mandatory Outlays[h]	**2,734**	**2,834**	**3,028**	**3,201**	**3,384**	**3,631**	**3,769**	**3,912**	**4,182**	**4,437**	**4,685**	**5.5**
Memorandum:												
Pell Grants (Discretionary)[i]	22	24	31	24	24	24	25	25	26	26	27	2.3
Means-Tested Programs												
Adjusted for Timing Shifts	745	778	807	845	882	919	958	1,000	1,045	1,090	1,139	4.3
Non–Means-Tested Programs												
Adjusted for Timing Shifts	1,985	2,097	2,221	2,356	2,503	2,654	2,807	2,974	3,137	3,347	3,546	6.0

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

The projections shown here, which exclude the effects of offsetting receipts, are the same as those reported in Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2017 to 2027* (January 2017), www.cbo.gov/publication/52370.

The average annual growth rate over the 2018–2027 period encompasses growth in outlays from the amount projected for 2017 through the amount projected for 2027.

Projections of spending for benefit programs in this table exclude administrative costs that are classified as discretionary but generally include administrative costs that are classified as mandatory.

SNAP = Supplemental Nutrition Assistance Program.

Because October 1 fell on a weekend in 2016, certain federal payments that were due on that date were instead made at the end of the preceding September and thus recorded in the previous fiscal year. October 1 will fall on a weekend again in 2017, 2022, and 2023, and the same shift in certain federal payments will occur. The payment shifts primarily affect outlays for Supplemental Security Income, veterans' compensation benefits and pensions, and Medicare.

Footnotes for this table appear on page 6.

Table 2.

Mandatory Outlays, 2007–2017

Billions of Dollars

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Est., 2017	Average Annual Growth (Percent), 2008–2017
Means-Tested Programs												
Health care programs												
Medicaid	191	201	251	273	275	251	265	301	350	368	389	7.4
Health insurance subsidies[a,b]	0	0	0	0	0	0	0	13	27	31	42	n.a.
Medicare Part D low-income subsidies	17	17	19	21	24	20	22	22	24	29	29	5.9
Children's Health Insurance Program	6	7	8	8	9	9	9	9	9	14	15	9.2
Subtotal	213	225	277	302	308	279	297	346	411	443	474	8.3
Income security programs												
Earned income and child tax credits[b,c]	54	75	67	77	78	77	79	82	81	81	80	3.9
SNAP	35	39	56	70	77	80	83	76	76	73	71	7.3
Supplemental Security Income	36	41	45	47	53	47	53	54	55	59	55	4.4
Family support and foster care[d]	31	32	33	35	33	30	32	31	31	31	31	0.2
Child nutrition[e]	13	14	15	16	17	18	19	19	21	22	23	5.8
Subtotal	169	201	216	246	259	253	265	262	263	266	260	4.4
Veterans' pensions	3	4	4	4	5	5	5	6	5	6	6	5.1
Pell grants[f]	0	1	2	4	14	12	16	8	10	6	6	n.a.
Subtotal, Means-Tested Programs	**385**	**430**	**500**	**556**	**586**	**549**	**583**	**622**	**689**	**720**	**745**	**6.8**
Non–Means-Tested Programs[g,h]	1,243	1,350	1,788	1,554	1,649	1,710	1,753	1,754	1,865	1,946	1,989	4.8
Total Mandatory Outlays[h]	**1,628**	**1,780**	**2,288**	**2,110**	**2,235**	**2,259**	**2,336**	**2,376**	**2,554**	**2,666**	**2,734**	**5.3**
Memorandum:												
Pell Grants (Discretionary)	13	15	13	20	21	21	17	23	20	22	22	5.3
Means-Tested Programs												
Adjusted for Timing Shifts	389	430	500	556	580	555	583	622	689	713	745	6.7
Non–Means-Tested Programs												
Adjusted for Timing Shifts	1,242	1,350	1,788	1,554	1,627	1,731	1,753	1,754	1,865	1,916	1,985	4.8

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

The average annual growth rate over the 2008–2017 period encompasses growth in outlays from the amount recorded in 2007 through the amount projected for 2017.

Data on spending for benefit programs in this table exclude administrative costs that are classified as discretionary but generally include administrative costs that are classified as mandatory.

SNAP = Supplemental Nutrition Assistance Program; n.a. = not applicable.

Because October 1 fell on a weekend in 2007, 2012, and 2016, certain federal payments that were due on those dates were instead made at the end of the preceding September and thus recorded in the previous fiscal year. October 1, 2017, also will fall on a weekend, causing payments due to be made in fiscal year 2018 to be recorded in fiscal year 2017. Those shifts primarily affect outlays for Supplemental Security Income, veterans' compensation benefits and pensions, and Medicare.

Footnotes for this table appear on page 6.

Footnotes for Tables 1 and 2:

a. Differs from the amounts reported for 2016 through 2027 in the line "Health insurance subsidies and related spending" in Table 1-2 in *The Budget and Economic Outlook: Fiscal Years 2017 to 2027* in that it does not include payments to health insurance plans for risk adjustment (amounts paid to plans that attract less healthy enrollees) and reinsurance (amounts paid to plans that enroll people with high health care costs). Spending for grants to states to establish health insurance marketplaces also is excluded.

b. Does not include amounts that reduce tax receipts.

c. Differs from the amounts reported for 2016 through 2027 in the line "Earned income, child, and other tax credits" in Table 1-2 in *The Budget and Economic Outlook: Fiscal Years 2017 to 2027* in that it does not include other tax credits that were included in that table.

d. Includes the Temporary Assistance for Needy Families program, the Child Support Enforcement program, the Child Care Entitlement program, and other programs that benefit children.

e. Differs from the amounts reported for 2016 through 2027 in the line "Child nutrition" in Table 1-2 in *The Budget and Economic Outlook: Fiscal Years 2017 to 2027* in that it does not include outlays related to the Funds for Strengthening Markets program (also known as Section 32) or the Commodity Assistance Program.

f. Includes mandatory spending designed to reduce the discretionary budget authority needed to support the maximum award amount set in the appropriation act plus mandatory spending that, by formula, increases the total maximum award above the amount set in the appropriation act.

g. Does not include offsetting receipts.

h. Does not include outlays associated with federal interest payments.

i. The discretionary baseline does not represent a projection of expected costs for the discretionary portion of the Federal Pell Grant Program. As with all other discretionary programs, the budget authority is calculated by inflating the budget authority appropriated for fiscal year 2017. Outlays for future years are based on those amounts of budget authority and also reflect a temporary surplus of budget authority provided in 2017.